

MSHDA POLICIES & PROCEDURES

Homeownership's Help for Hardest Hit (H4HH) Loan Rescue

Effective Date: June 23, 2010

Replaces Issue of:

Product Name: Rescue Funds

SUMMARY:

This is one of MSHDA's federally-funded programs developed to provide assistance to Michigan residents hit hardest by the housing crisis. As one of five states, Michigan was allocated \$154.5 million to implement and oversee this innovative program to help prevent foreclosures, retain homeownership and stabilize property values.

The Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) acting through MSHDA, is partnering with Lenders/Servicers to directly provide funds to be applied towards an eligible borrower's delinquent mortgage payments, delinquent property taxes and any accrued escrow shortages. Second liens are eligible with documentation first liens is current and total borrower's housing obligation is sustainable.

PRODUCTS:

Loan Rescue

LOAN PURPOSE:

One-time assistance to Borrower and Lender/Servicer to reach an amicable Loan Rescue Plan which may include, but not require, a Loan Modification Agreement. Fund amount may include delinquent PITI payments, escrow shortage and delinquent property taxes. Funds will not include accrued Lender servicing fees, i.e. late fees, inspection fees, appraisal fees and legal fees. Lender/Servicer must waive these fees and is prohibited from charging them to the borrower, adding as forbearance, or including it in the escrow shortage.

LOAN TERMS:

Prior to Lender/Servicer applying the assistance homeowner's will execute a secured subordinate lien mortgage and note. Loan will be a 0% non-amortizing loan, forgivable over a 5 year term at 20% per year. Loan will be due on sale or transfer of the property, or when the property ceases to be the principal residence of the homeowner, or if the mortgagor repays in full any mortgage loan encumbering the property.

**FUND AMOUNT
LIMITS:**

Up to \$5,000 per household.

REQUIREMENTS:

The borrower must occupy the property as his/her primary residence, located within the state of Michigan, and be obligated on the original mortgage note. Borrower must submit loan intake application to their Lender/Servicer to determine eligibility for the program. Eligible Lender/Servicer's must have a valid Help for Hardest Hit Servicer Participation Agreement on file with MSHDA to participate in this program.

INCOME LIMITS:

None

**EXISTING
MORTGAGE
LIMITS:**

Mortgage loans with unpaid principal balances equal to or less than \$729,250.

**ELIGIBLE
PROPERTIES:**

Located in state of Michigan.

Existing single-family homes or condominiums (attached or detached).

Existing manufactured homes on foundations permanently affixed to real estate.

Owner-occupied, primary residence.

No second homes or investment properties.

**QUALIFYING
RATIOS:**

Lender/Servicer to determine borrower's qualifying ratios for eligibility. Sustainable total PITI ratio generally should be 31 to 43%. If loan modification is required, ratios should not exceed 31%. Total PITI to include all subordinate lien P&I payments. Current household income for all adults occupying this property as their primary residence may be used to determine qualifying ratios.

**BORROWER
ELIGIBILITY:**

For Lender/Servicers who participate in HAMP, HAMP must be the first loss mitigation option for borrowers who seek assistance (as required by their HAMP participation agreement). If Lender/Servicer approved HAMP or other loan modification provide evidence of accepted loan modification.

Borrowers must document the one time crisis, and complete Hardship Affidavit.

Borrowers must document a "recovery" from the one-time crisis and the ability to sustain the mortgage payment.

Homeowners may not have cash reserves exceeding 3 months total PITI. Cash reserves are any non-retirement liquid assets the homeowner has available for withdrawal from any financial institution or brokerage including checking and savings accounts, CDs (even if held for an extended time), mutual funds, money market funds, stocks or bonds.

Borrower must sign MHA's Borrower's Authorization & Disclosure Agreement acknowledging terms of one-time assistance.

**ALLOWABLE
FEES:**

None

DOCUMENTATION

REQUIREMENTS: APPLICATION:

- Request for H4HH 003 Commitment
- H4HH 004 Servicer Work Out Plan
- H4HH 002 Borrower's Authorization
- Mortgage Loan Profile
- Borrower's Intake Application
- Evidence obligated on Note
- Breakdown of Rescue Assistance
- Mortgage history
- Document 1st mortgage is current if using on 2nd lien
- Hardship Affidavit
- Terms of modification agreement if applicable

TRAILING/CLOSING DOCUMENTS: Within 30 days of commitment date Lender/Servicer will send MSHDA:

- Copy of the Commitment Letter
- Original fully executed and notarized Mortgage
- Original fully executed Note
- Evidence funds have been applied as approved
- Executed modification if applicable

POST CLOSING/ CONTINUAL REPORTING: The Lender/Servicer agrees to provide continued loan status reporting on each individual loan receiving Help for Hardest Hit funds as long as the Authority deems necessary, most likely 24 months from the date of last funds received, knowing that the Authority will share all reported information with the U.S. Department of Treasury.

AUDIT: MSHDA staff will randomly select 10% of Lender/Servicers closed files for internal post closing audit on a monthly basis. Lender/Servicer will be notified by e-mail which loans to submit complete copy packages of their complete work out plan. Files will be required to be sent via overnight courier within five business days of request. This post audit function may later be transferred to an outside contractor.